

**QUARTERLY STATEMENT
OF THE
Volunteer State Health Plan, Inc.**

**of
Chattanooga
in the state of
Tennessee**

**TO THE
Insurance Department
OF THE STATE OF
Tennessee**

**FOR THE QUARTER ENDED
September 30, 2006**

2006



QUARTERLY STATEMENT
AS OF September 30, 2006
OF THE CONDITION AND AFFAIRS OF THE
Volunteer State Health Plan, Inc.

NAIC Group Code	0000 (Current Period)	0000 (Prior Period)	NAIC Company Code	Employer's ID Number	62-1656610
Organized under the Laws of	Tennessee	State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America				
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[] Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[] Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]				
Incorporated/Organized	07/11/1996		Commenced Business	11/01/1996	
Statutory Home Office	801 Pine Street (Street and Number)		Chattanooga, TN 37402 (City, or Town, State and Zip Code)		
Main Administrative Office	Chattanooga, TN 37402 (City or Town, State and Zip Code)		(423)535-5600 (Area Code) (Telephone Number)		
Mail Address	801 Pine Street (Street and Number or P.O. Box)		Chattanooga, TN 37402 (City, or Town, State and Zip Code)		
Primary Location of Books and Records	Chattanooga, TN 37402 (City, or Town, State and Zip Code)		(423)535-5600 (Area Code) (Telephone Number)		
Internet Website Address	www.bcbst.com				
Statutory Statement Contact	Dana Elaine Hull (Name) Dana_Hull@BCBST.com (E-Mail Address)		(423)535-7919 (Area Code)(Telephone Number)(Extension) (423)535-8331 (Fax Number)		
Policyowner Relations Contact	Chattanooga, TN 37402 (City, or Town, State and Zip Code)		(423)535-5600 (Area Code) (Telephone Number)(Extension)		

OFFICERS

Name	Title
Vicky Brown Gregg	Chairman
Ronald Ellis Harr	President & CEO
Sonya Kay Nelson	Vice President, Medicaid Administration
Sylvia Ann Sherrill	Vice President, Medicare Advantage #
Shelia Dian Clemons	Secretary
David Lee Deal	Treasurer & CFO
Harold Hoke Cantrell Jr.	Assistant Treasurer

OTHERS

DIRECTORS OR TRUSTEES

Ronald Ellis Harr
David Lee Deal
Charles Timothy Gary #

Vicky Brown Gregg
Steven Lee Coulter MD

State of Tennessee
County of Hamilton ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

<u>Ronald Ellis Harr</u> (Signature) Ronald Ellis Harr (Printed Name) President & CEO (Title)	<u>Shelia Dian Clemons</u> (Signature) Shelia Dian Clemons (Printed Name) Secretary (Title)	<u>David Lee Deal</u> (Signature) David Lee Deal (Printed Name) Treasurer & CFO (Title)
--	--	--

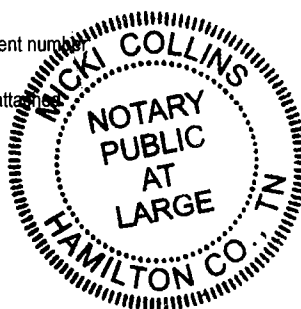
Subscribed and sworn to before me this
7th day of Nov, 2006

Micki Collins
(Notary Public Signature)

a. Is this an original filing?

b. If no, 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes[X] No[]



My Commission Expires
August 18, 2010

(THIS PAGE LEFT BLANK INTENTIONALLY)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds	28,593,313		28,593,313	29,169,440
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances)				
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....4,478,993), cash equivalents (\$.....) and short-term investments \$.....4,334,748)	8,813,741		8,813,741	9,263,410
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	37,407,054		37,407,054	38,432,850
11.	Title plants less \$..... charged off (for Title insurers only)				
12.	Investment income due and accrued	351,250		351,250	431,284
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans	8,030,876		8,030,876	2,234,897
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset	277,271	277,271		
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....)				
20.	Net adjustments in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates				
22.	Health care (\$.....) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets				
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	46,066,451	277,271	45,789,180	41,099,031
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	TOTAL (Lines 24 and 25)	46,066,451	277,271	45,789,180	41,099,031
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Exigency Post-Settlement Activity				
2302.	.....			
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)				

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	574,400		574,400	587,386
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated	1,988		1,988	52,133
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates	8,860,469		8,860,469	4,542,079
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans	1,839,409		1,839,409	1,649,454
21.	Aggregate write-ins for other liabilities (including \$..... current)	3,790,485		3,790,485	3,847,203
22.	Total liabilities (Lines 1 to 21)	15,066,751		15,066,751	10,678,255
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	100,000	100,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X		
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X	27,775,337	26,903,259
29.	Unassigned funds (surplus)	X X X	X X X	2,847,092	3,417,517
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....)	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	30,722,429	30,420,776
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	45,789,180	41,099,031
DETAILS OF WRITE-INS					
2101.	Due State of Tennessee	3,123,358		3,123,358	3,036,716
2102.	Stale Dated Checks	646,334		646,334	794,598
2103.	Exigency Post Settlement Activity	20,793		20,793	15,889
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	3,790,485		3,790,485	3,847,203
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	Legally Required Reserves	X X X	X X X	27,775,337	26,903,259
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X	27,775,337	26,903,259

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X		
2.	Net premium income (including \$..... non-health premium income)	X X X	(86,643)	(65,414)
3.	Change in unearned premium reserves and reserves for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X	2,244,247	
8.	Total revenues (Lines 2 to 7)	X X X	2,157,604	(65,414)
Hospital and Medical:				
9.	Hospital/medical benefits		(381,833)	429,626
10.	Other professional services		(282,715)	(140,507)
11.	Outside referrals			
12.	Emergency room and out-of-area		(6,445)	26,555
13.	Prescription drugs			(488)
14.	Aggregate write-ins for other hospital and medical		290,945	141,439
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(380,048)	456,625
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(380,048)	456,625
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....107,066 cost containment expenses		526,594	541,470
21.	General administrative expenses		721,261	717,763
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		867,807	1,715,858
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	1,289,797	(1,781,272)
25.	Net investment income earned		1,299,837	750,629
26.	Net realized capital gains (losses) less capital gains tax of \$.....		24,550	
27.	Net investment gains or (losses) (Lines 25 plus 26)		1,324,387	750,629
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29.	Aggregate write-ins for other income or expenses		(2,244,247)	
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	369,937	(1,030,643)
31.	Federal and foreign income taxes incurred	X X X	68,284	(388,921)
32.	Net income (loss) (Lines 30 minus 31)	X X X	301,653	(641,722)
DETAILS OF WRITE-INS				
0601.	Meharry, Critical Access & Essential Provider Payment Revenues	X X X	146,217,960	86,470,561
0602.	Meharry, Critical Access & Essential Provider Payment Premium Taxes	X X X	(2,924,359)	(1,729,411)
0603.	Critical Access Payments	X X X	(8,963,601)	(4,220,606)
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X	(134,330,000)	(80,520,544)
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	Shared Health, Inc. Revenue	X X X	2,244,247	
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X	2,244,247	
1401.	Exigency Post-Settlement Activity		290,945	141,439
1402.	.....		
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		290,945	141,439
2901.	Shared Health, Inc. Expense		(2,244,247)	
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)		(2,244,247)	

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2	3
		Current Year To Date	Prior Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT				
33.	Capital and surplus prior reporting year	30,420,776	31,017,092	31,017,092
34.	Net income or (loss) from Line 32	301,653	(641,722)	(596,280)
35.	Change in valuation basis of aggregate policy and claim reserves			
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....			
37.	Change in net unrealized foreign exchange capital gain or (loss)			
38.	Change in net deferred income tax	(61,194)	(28,196)	(35,650)
39.	Change in nonadmitted assets	61,194	28,196	35,614
40.	Change in unauthorized reinsurance			
41.	Change in treasury stock			
42.	Change in surplus notes			
43.	Cumulative effect of changes in accounting principles			
44.	Capital Changes:			
44.1	Paid in			
44.2	Transferred from surplus (Stock Dividend)			
44.3	Transferred to surplus			
45.	Surplus adjustments:			
45.1	Paid in			
45.2	Transferred to capital (Stock Dividend)			
45.3	Transferred from capital			
46.	Dividends to stockholders			
47.	Aggregate write-ins for gains or (losses) in surplus			
48.	Net change in capital and surplus (Lines 34 to 47)	301,653	(641,722)	(596,316)
49.	Capital and surplus end of reporting period (Line 33 plus 48)	30,722,429	30,375,370	30,420,776
DETAILS OF WRITE-INS				
4701.	.....	.....	.....	.....
4702.	.....	.....	.....	.....
4703.	.....	.....	.....	.....
4798.	Summary of remaining write-ins for Line 47 from overflow page .....	.....	.....	.....
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....	.....	.....	.....

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	-
REVENUES:			
1. TennCare Capitation	(16,056)	(86,645)	(185,017)
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	(16,056)	(86,645)	(185,017)
4. Investment	423,989	1,324,387	1,144,402
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	407,933	1,237,742	959,385
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	-
8. Fee-for Service Physician Services	(2,310)	(3,894)	226,675
9. Inpatient Hospital Services	(2,314)	(11,937)	391,656
10. Outpatient Services	(874)	(2,111)	17,794
11. Emergency Room Services	(66)	(174)	30,114
12. Mental Health Services	-	-	-
13. Dental Services	-	-	-
14. Vision Services	-	-	196
15. Pharmacy Services	-	-	-
16. Home Health Services	(11,799)	(11,799)	23,907
17. Chiropractic Services	-	-	-
18. Radiology Services	(22)	(48)	20,245
19. Laboratory Services	-	-	178
20. Durable Medical Services	(4)	13	(114,018)
21. Transportation Services	(63)	(347)	(49,935)
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	142,656	114,301	80,702
26. Subtotal (Lines 7 to 25)	125,204	84,004	627,514
LESS:			
27. Reinsurance Expenses Net of Recoveries	-	-	-
28. Copayments	-	(180)	(764)
29. Subrogation and Coordination of Benefits	359,988	464,233	341,231
30. Subtotal (Lines 27 to 29)	359,988	464,053	340,467
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	(234,784)	(380,049)	287,047
Administration:			
32. Compensation	262,846	802,736	1,058,805
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	(321)	(1,733)	(3,700)
36. Occupancy, Depreciation and Amortization	27,045	82,597	108,945
37. Other Administration (Provide Detail)	119,270	364,254	480,452
38. TOTAL ADMINISTRATION (Lines 32 to 37)	408,840	1,247,854	1,644,502
39. TOTAL EXPENSES (Lines 31 and 38)	174,056	867,805	1,931,549
40. Extraordinary Item	-	-	-
41. Provision for Federal Income Taxes	78,320	68,284	(375,884)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	155,557	301,653	(596,280)
DETAILS OF WRITE-INS			
0501. Meharry, Critical Access & EPP Revenues	32,595,862	146,217,960	119,556,588
0502. Meharry, Critical Access, and EPP Premium Taxes	(651,917)	(2,924,359)	(2,391,132)
0503. Critical Access Payments	(3,693,945)	(8,963,601)	(6,644,912)
0504. Meharry Payments	(3,250,000)	(9,330,000)	(10,520,544)
0505. Essential Provider Payments (EPP)	(25,000,000)	(125,000,000)	(100,000,000)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	152,684	290,945	173,243
2502. Out of Area Claims	-	5	971
2503. PT/OT/ST, Supplies, Prosthetics, etc.	(13)	(39)	(4,312)
2504. Bad Debt Expense	(10,015)	(176,610)	(89,200)
2599. TOTALS	142,656	114,301	80,702
3701. Equipment	50,328	153,700	202,729
3702. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	26,471	80,847	106,639
3703. Postage/Telephone	17,594	53,732	70,873
3704. Auditing, Actuarial, and Other Consulting	11,456	34,988	46,150
3705. Outsourced Services	7,079	21,618	28,514
3706. Printing and Stationary	6,342	19,369	25,547
3799. TOTALS	119,270	364,254	480,452

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	1,234,548	3,704,083	5,377,556
REVENUES:			
1. TennCare Capitation	261,090,905	754,732,054	1,050,171,295
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	261,090,905	754,732,054	1,050,171,295
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	2,244,247	2,244,247	-
6. TOTAL REVENUES (Lines 1 to 5)	263,335,152	756,976,301	1,050,171,295
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	1,353,854	4,001,873	5,881,330
8. Fee-for Service Physician Services	69,129,677	201,957,317	292,178,650
9. Inpatient Hospital Services	59,625,570	174,477,699	269,679,415
10. Outpatient Services	32,431,776	97,761,209	153,246,545
11. Emergency Room Services	8,208,467	23,529,975	31,125,962
12. Mental Health Services	-	-	-
13. Dental Services	-	605	7,473
14. Vision Services	175,641	499,296	713,808
15. Pharmacy Services	-	-	(6,899)
16. Home Health Services	43,743,783	117,168,235	88,623,588
17. Chiropractic Services	-	-	-
18. Radiology Services	4,490,508	13,059,843	23,014,343
19. Laboratory Services	3,816,109	11,295,172	16,311,191
20. Durable Medical Services	4,291,251	12,462,667	22,919,935
21. Transportation Services	7,727,291	21,429,922	28,126,031
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	5,330,070	16,534,215	33,928,717
26. Subtotal (Lines 7 to 25)	240,323,997	694,178,028	965,750,089
LESS:			
27. Reinsurance Expenses Net of Recoveries	-	-	-
28. Copayments	73,565	250,777	1,523,336
29. Subrogation and Coordination of Benefits	612,652	2,439,397	2,790,729
30. Subtotal (Lines 27 to 29)	686,217	2,690,174	4,314,065
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	239,637,780	691,487,854	961,436,024
Administration:			
32. Compensation	10,427,435	30,953,094	43,721,643
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	5,221,818	15,094,641	21,003,426
36. Occupancy, Depreciation and Amortization	1,072,936	3,184,932	4,498,755
37. Other Administration (Provide Detail)	6,975,874	16,289,745	19,839,444
38. TOTAL ADMINISTRATION (Lines 32 to 37)	23,698,063	65,522,412	89,063,268
39. TOTAL EXPENSES (Lines 31 and 38)	263,335,843	757,010,266	1,050,499,292
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(242)	(11,888)	(114,799)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(449)	(22,077)	(213,198)
DETAILS OF WRITE-INS			
0501. Shared Health, Inc. Revenue	2,244,247	2,244,247	-
0599. TOTALS	2,244,247	2,244,247	-
2501. PT/OT/ST, Supplies, Prosthetics, etc.	4,341,943	12,021,052	25,308,739
2502. Out of Area Claims Expense	1,107,698	4,466,715	7,472,710
2503. Bad Debt Expense	(119,571)	46,448	1,147,268
2599. TOTALS	5,330,070	16,534,215	33,928,717
3701. Equipment Rental	1,996,535	5,926,573	8,371,360
3702. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	1,050,209	3,117,474	4,403,472
3703. Shared Health, Inc. Expense	2,244,247	2,244,247	-
3704. Postage/Telephone	697,976	2,071,892	2,926,573
3705. Auditing, Actuarial, and Other Consulting	454,496	1,349,139	1,905,676
3706. Outsourced Services	280,814	833,575	1,177,435
3707. Printing and Stationary	251,597	746,845	1,054,928
3799. TOTALS	6,975,874	16,289,745	19,839,444

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	631,029	1,918,741	2,954,571
REVENUES:			
1. TennCare Capitation	114,156,193	330,439,345	520,031,931
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	114,156,193	330,439,345	520,031,931
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	114,156,193	330,439,345	520,031,931
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	514,877	1,524,123	2,439,922
8. Fee-for Service Physician Services	38,666,151	112,254,052	172,124,088
9. Inpatient Hospital Services	22,871,143	67,763,889	116,696,753
10. Outpatient Services	14,978,556	44,015,170	75,017,580
11. Emergency Room Services	3,640,010	10,290,550	14,475,784
12. Mental Health Services	-	-	-
13. Dental Services	1,301	1,725	1,949
14. Vision Services	76,503	229,100	380,392
15. Pharmacy Services	-	-	(14,703)
16. Home Health Services	12,944,302	33,723,626	30,966,459
17. Chiropractic Services	-	-	-
18. Radiology Services	2,338,316	6,915,064	12,013,392
19. Laboratory Services	2,521,792	7,459,489	11,574,493
20. Durable Medical Services	2,429,752	6,913,934	13,486,001
21. Transportation Services	2,740,684	7,842,418	10,517,401
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	1,760,353	5,331,856	16,824,883
26. Subtotal (Lines 7 to 25)	105,483,740	304,264,996	476,504,394
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	53,816	181,084	1,033,850
29. Subrogation and Coordination of Benefits	711,699	1,793,336	1,415,990
30. Subtotal (Lines 27 to 29)	765,515	1,974,420	2,449,840
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	104,718,225	302,290,576	474,054,554
Administration:			
32. Compensation	4,587,732	13,796,057	23,113,098
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,296,420	6,664,272	10,400,639
36. Occupancy, Depreciation and Amortization	472,055	1,419,550	2,378,231
37. Other Administration (Provide Detail)	2,081,761	6,260,196	10,487,965
38. TOTAL ADMINISTRATION (Lines 32 to 37)	9,437,968	28,140,075	46,379,933
39. TOTAL EXPENSES (Lines 31 and 38)	114,156,193	330,430,651	520,434,487
40. Extraordinary Item			
41. Provision for Federal Income Taxes	-	3,043	(140,895)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	-	5,651	(261,661)
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	1,526,641	4,190,820	13,247,731
2502. Out of Area Claims Expense	310,687	1,239,960	2,849,129
2503. Bad Debt Expense	(76,975)	(98,924)	728,023
2599. TOTALS	1,760,353	5,331,856	16,824,883
3701. Equipment Rental	878,410	2,641,524	4,425,453
3702. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	462,058	1,389,483	2,327,861
3703. Postage/Telephone	307,087	923,460	1,547,110
3704. Auditing, Actuarial, and Other Consulting	199,964	601,323	1,007,420
3705. Outsourced Services	123,548	371,531	622,442
3706. Printing and Stationary	110,694	332,875	557,679
3799. TOTALS	2,081,761	6,260,196	10,487,965

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance	(86,643)	(185,017)
2.	Net investment income	1,500,521	1,374,034
3.	Miscellaneous income	2,244,247	
4.	Total (Lines 1 through 3)	3,658,125	1,189,017
5.	Benefit and loss related payments	(380,048)	287,047
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	9,111,112	3,168,260
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses)	68,284	(375,848)
10.	Total (Lines 5 through 9)	8,799,348	3,079,459
11.	Net cash from operations (Line 4 minus Line 10)	(5,141,223)	(1,890,442)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	3,479,480	20,845,000
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		0
12.8	Total investment proceeds (Lines 12.1 to 12.7)	3,479,480	20,845,000
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	2,999,453	23,791,775
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	2,999,453	23,791,775
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	480,027	(2,946,775)
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	4,211,527	3,761,569
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	4,211,527	3,761,569
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(449,669)	(1,075,648)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	9,263,410	10,339,058
19.2	End of period (Line 18 plus Line 19.1)	8,813,741	9,263,410

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
		2	3										
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year													
2. First Quarter													
3. Second Quarter													
4. Third Quarter													
5. Current Year													
6. Current Year Member Months													
Total Member Ambulatory Encounters for Period:													
7. Physician	(121)								(121)				
8. Non-Physician	(32)								(32)				
9. Total	(153)								(153)				
10. Hospital Patient Days Incurred	(8)								(8)				
11. Number of Inpatient Admissions	(2)								(2)				
12. Health Premiums Written	(86,643)								(86,643)				
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned	(86,643)								(86,643)				
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services	(380,048)								(380,048)				
18. Amount Incurred for Provision of Health Care Services	(380,048)								(380,048)				

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims						
1	2	3	4	5	6	7
Account	1 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 days	Over 120 Days	Total
NONE						
0899999	Accrued Medical Incentive Pool And Bonus Amounts					

UNDERWRITING AND INVESTMENT EXHIBIT
ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1+3)	6 Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec.31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical) .....	.....	.....	.....	.....	.....	.....
2. Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3. Dental only .....	.....	.....	.....	.....	.....	.....
4. Vision only .....	.....	.....	.....	.....	.....	.....
5. Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6. Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7. Title XIX - Medicaid	(380,048)	.....	.....	.....	(380,048)	.....
8. Other health .....	.....	.....	.....	.....	.....	.....
9. Health subtotal (Lines 1 to 8)	(380,048)	.....	.....	.....	(380,048)	.....
10. Healthcare receivables (a) .....	.....	.....	.....	.....	.....	.....
11. Other non-health .....	.....	.....	.....	.....	.....	.....
12. Medical incentive pools and bonus amounts .....	.....	.....	.....	.....	.....	.....
13. TOTALS	(380,048)	.....	.....	.....	(380,048)	.....

(a) Excludes \$..... loans or advances to providers not yet expensed.

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2006, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

Since 2004, VSHP accepted the risk for uninsured claims overpayments for which the Company determined the State was not responsible. At the direction of the TDCI, TennCare Division, the Company recorded the uninsured claims overpayments as claims expense instead of reporting the net gain/(loss) on the general administrative expense line as required by NAIC SAP.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased \$14,227 YTD. The Exigency agreement with the State allowed VSHP to retain 1/3 of any gain and the State to receive 2/3 of any gain. The State covers any claims losses. A cash settlement of \$55,681,476 was made on December 20, 2002 for the 2/3 calculated gain settlement plus all December 2001 through November 2002 activity. From 2003 through 2005, activity was settled monthly on a cash basis. For 2006, activity continues to be settled monthly on a cash basis.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for pharmacy rebates, investment interest income, and premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP. In addition to the afore mentioned request, the TDCI has also requested VSHP show Shared Health, Inc. revenue on line 7 of the Statement of Revenues and Expenses as an aggregate write-in for other non-health revenues. The related off-setting expense is shown on line 29, aggregate write-ins for other income or expenses. The receivable from the State is shown on line 15 of the asset page and the liability to Shared Health, Inc. flows through line 15 of the liability page.

B. Use of Estimates in the Preparation of the Financial Statements

No Change

C. Accounting Policy

No Change

2. Accounting Changes and Corrections of Errors

No Change

3. Business Combinations and Goodwill

No Change

4. Discontinued Operations

No Change

5. Investments

No Change

6. Joint Ventures, Partnerships and Limited Liability Companies

No Change

7. Investment Income

No Change

Notes to Financial Statement

8. Derivative Instruments

No Change

9. Income Taxes

A. The components of the net deferred tax asset recognized in the Company’s Assets, Liabilities, Surplus, and Other Funds are as follows:

	<u>September 30, 2006</u>	<u>December 31, 2005</u>
(1) Total of gross deferred tax assets (admitted and nonadmitted)	\$ 277,271	\$ 338,465
(2) Total of deferred tax liabilities	0	0
(3) Net deferred tax assets	277,271	338,465
(4) Deferred tax assets nonadmitted	277,271	338,465
(5) Net admitted deferred tax assets	\$ 0	\$ 0
(6) Increase (decrease) in nonadmitted asset	\$ (61,194)	\$ (35,614)

B. The change in net deferred income taxes is comprised of the following:

	<u>September 30, 2006</u>	<u>December 31, 2005</u>	<u>Change</u>
Total deferred tax assets (admitted and non-admitted)	\$ 277,271	\$ 338,465	\$ (61,194)
Total deferred tax liabilities	0	0	0
Net deferred tax assets (deferred assets less liabilities)	\$ 277,271	\$ 338,465	(61,194)
Tax effect of unrealized gains (losses)			0
Change in net deferred income tax			<u>\$ (61,194)</u>

C. The provision for federal income taxes incurred is different from that which would be obtained by applying the federal statutory income tax rate to income before taxes. The significant items causing this difference are as follows:

	<u>September 30, 2006</u>	<u>Effective Tax Rate</u>
Provision computed at federal statutory rate	\$ 129,478	35.0%
Change in net deferred income taxes	(61,194)	(16.5)
Federal income taxes incurred	<u>\$ 68,284</u>	<u>(18.5)%</u>

D. (1) The Company’s federal income tax return is consolidated with the following entities:

- BlueCross BlueShield of Tennessee, Inc.
- Golden Security Insurance Company, Inc.
- Group Insurance Services, Inc.
- Southern Diversified Business Services, Inc.
- RiverTrust Solutions, Inc.
- Security Care, Inc.
- Riverbend Government Benefits Administrator, Inc.
- Shared Health, Inc.
- Gordian Health Solutions, Inc.
- Continental Health Promotion, Inc.
- Eris Survey Systems, Inc.

(2) The method of tax allocation among the members of the affiliated group is subject to a written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. The Company is a wholly owned subsidiary of BlueCross BlueShield of Tennessee, Inc. (The Parent). The Parent owns 100% of Southern Diversified Business Services, Inc. (**SDBS**). In addition, the Parent owns a 100% interest in GDRG, LLC (**GDRG**), and a 50% interest in Capstone Government Solutions, LLC. **GDRG**, formed in 2004, is a limited liability company whose primary purpose is to acquire, own, hold, maintain, operate, and develop real property.

Capstone Government Solutions, LLC (**CGS**) was incorporated in 2004 as a joint venture between the Parent and the Connecticut General Life Insurance Company, Inc., Medicare Administration (Cigna) for the purpose of bidding on and administering future Medicare fee-for-service contracts. The Parent transferred \$726,987 to Capstone during the first nine months of 2006 and \$500,000 in 2005.

The Parent created Tennessee Health Foundation, Inc. (**THF**) in 2003. **THF** is a public benefit corporation that promotes charitable activities. The Parent appoints the board of directors of **THF**,

Notes to Financial Statement

which has been granted a 501(c)(3)-tax exemption by the Internal Revenue Service. The Parent transferred \$26,000,000 to **THF** in March 2006, and \$23,300,000 in March 2005.

SDBS owns 100% of the following for-profit corporations: Golden Security Insurance Company (**GSI**), Group Insurance Services, Inc. (**GIS**), Shared Health, Inc. (**SH**), Riverbend Government Benefits Administrator, Inc. (**RGBA**) and Gordian Health Solutions, Inc. (**GHS**). **GSI**, an inactive corporation, is licensed to provide health, term life, disability and other insurance coverage to its policyholders. **GIS** is an insurance broker. **SH** is a health information technology company. **RGBA** performs services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services (**CMS**) pursuant to the Medicare Modernization Act of 2003. **GHS**, in conjunction with its wholly owned subsidiaries, Continental Health Promotion, Inc. (**CHP**) and ERIS Survey Systems, Inc. (**ESS**), mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses. **SDBS** also owns a 10% interest in US Able Life, Inc. (**US Able**). In the first nine months of 2006, **SDBS** transferred \$5,000,000 to **SH** and \$184,281 to **GHS**. During 2005, **SDBS** transferred \$4,000,000 to **SH** and \$33,747,874 to **GHS**.

Southern Health Plan, Inc. (**SHP**), doing business as BlueCross BlueShield of Tennessee Community Trust, was created for the purpose of improving the quality of health care in Tennessee, primarily through contributions to other tax-exempt organizations. **SDBS** appoints the board of directors of **SHP**, which has been granted a 501(c)(4) tax exemption by the Internal Revenue Service.

Also owned by **SDBS**, but not yet capitalized and therefore not included on Schedule Y, are Security Care, Inc. (**SCI**) and RiverTrust Solutions, Inc. (**RTS**). **SCI** was incorporated in 2004 as a wholly owned subsidiary of **SDBS** to bid on an RFP to manage Medicare’s Chronic Care Improvement Program (**CCIP**). **RTS** was established in 2003 as a wholly owned subsidiary of **SDBS** in order to create an entity that could become a Qualified Independent Contractor (**QIC**) for the purpose of bidding on future Medicare appeals workloads.

- B. No Change
- C. The Company paid \$71,545,104 and \$109,481,915 in 2006 and 2005 to the Parent for services performed under the administrative services agreement. The Company paid Shared Health, Inc. \$747,379 in 2006 for Community Health Record services.
- D. At September 30, 2006, the Company reported \$7,363,601 as amounts due to the Parent. At December 31, 2005, the Company reported \$4,542,079 as amounts due to the Parent. At September 30, 2006, the Company reported \$1,496,868 as an amount due to Shared Health, Inc., an affiliate of the Company. The Shared Health payable is also presented as a receivable due from the State of Tennessee. These intercompany payables and receivables are typically settled monthly. However, a balance may be carried over from month to month based on the cash flow needs of the various entities.
- E. No Change
- F. No Change
- G. No Change
- H. No Change
- I. No Change
- J. No Change
- K. No Change
- 11. Debt
No Change
- 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
No Change
- 13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations
No Change
- 14. Contingencies
No Change
- 15. Leases
No Change

Notes to Financial Statement

16.

Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

No Change
17.

Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C.

Wash Sales

Not Applicable
18.

Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

A.

ASO Plan:

TennCareSM Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per an Administrative Service Agreement, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCareSM Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCareSM Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCareSM Select and the Stabilization Plan are netted on p. 2, line 15, with the exception of those assets deemed to have no economic benefit to VSHP. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled “Liability for amounts held under uninsured accident and health plans”, excluding any ‘due to/from’ transactions occurring between the ASO, insured business, and the Parent.

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2006:

	(1)	(2)	(3)
	ASO	Uninsured	
	Uninsured	Portion of	Total
	<u>Plans</u>	<u>Plans</u>	<u>ASO</u>
a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses	\$18,796	0	\$18,796
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	<u>(44,067)</u>	<u>0</u>	<u>(44,067)</u>
c. Net Gain or (Loss) from operations	<u><u>\$(25,271)</u></u>	<u><u>0</u></u>	<u><u>\$(25,271)</u></u>
d. Total Claims Payment Volume	\$980,283,102		\$980,283,102

B.

ASC Plan

The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. At the direction of the TDCI, premium and claims equivalents are disseminated throughout the NAIC filing.

C.

Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

Not Applicable
19.

Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.

No Change
20.

September 11 Events

No Change
21.

Other Items

No Change
22.

Events Subsequent

No Change

Notes to Financial Statement

23.

Reinsurance

No Change
24.

Retrospectively Rated Contracts

No Change
25.

Change in Incurred Claims and Claim Adjustment Expenses

No Change
26.

Intercompany Pooling Arrangements

No Change
27.

Structured Settlements

No Change
28.

Health Care Receivables

No Change
29.

Participating Policies

No Change
30.

Premium Deficiency Reserve

No Change
31.

Anticipated Salvage and Subrogation

No Change

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:

.....
3. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organizational chart.

Yes[] No[X]
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile
.....

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[] N/A[X]
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

..... 06/30/2006
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

..... 12/31/2004
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

..... 09/08/2005
- 6.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
..... Yes[] No[X] .	. Yes[] No[X] .	. Yes[] No[X] .	. Yes[] No[X] .	. Yes[] No[X] .

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[] No[X]
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$.....

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....
13. Amount of real estate and mortgages held in short-term investments:

\$.....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 14.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End Book/Adjusted Carrying Value	Current Quarter Statement Value
14.21	Bonds		
14.22	Preferred Stock		
14.23	Common Stock		
14.24	Short-Term Investments		
14.25	Mortgages Loans on Real Estate		
14.26	All Other		
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes[] No[X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes[] No[] N/A[X]

If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes[X] No[]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian Address
Regions Morgan Keegan Trust	1100 Ridgeway Loop Ste 100 Memphis, TN 38120

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes[] No[X]

16.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
4161	Regions Morgan Keegan Trust	1100 Ridgeway Loop Ste 100 Memphis, TN 38120

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes[X] No[]

17.2 If no, list exceptions:

STATEMENT AS OF **September 30, 2006** OF THE **Volunteer State Health Plan, Inc.**

SCHEDULE A - VERIFICATION

Real Estate		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year		
2.	Increase (decrease) by adjustment		
3.	Cost of acquired		
4.	Cost of additions to and permanent improvements		
5.	Total profit (loss) on sales		
6.	Increase (decrease) by foreign exchange adjustment		
7.	Amount received on sales		
8.	Book/adjusted carrying value at end of current period		
9.	Total valuation allowance		
10.	Subtotal (Lines 8 plus 9)		
11.	Total nonadmitted amounts		
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

SCHEDULE B - VERIFICATION

Mortgage Loans

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2.	Amount loaned during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount and mortgage interest points and commitment fees		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

SCHEDULE BA - VERIFICATION

Other Invested Assets

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year		
2.	Cost of acquisitions during period:		
2.1	Actual cost at time of acquisitions		
2.2	Additional investment made after acquisitions		
3.	Accrual of discount		
4.	Increase (decrease) by adjustment		
5.	Total profit (loss) on sale		
6.	Amounts paid on account or in full during the period		
7.	Amortization of premium		
8.	Increase (decrease) by foreign exchange adjustment		
9.	Book/adjusted carrying value of long-term invested assets at end of current period		
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)		
12.	Total nonadmitted amounts		
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)		

SCHEDULE D - VERIFICATION

Bonds and Stocks

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	29,169,440	26,654,103
2.	Cost of bonds and stocks acquired	2,999,453	23,791,775
3.	Accrual of discount	10,474	1,735
4.	Increase (decrease) by adjustment		
5.	Increase (decrease) by foreign exchange adjustment		
6.	Total profit (loss) on disposal	24,550	(26,167)
7.	Consideration for bonds and stocks disposed of	3,479,480	20,845,000
8.	Amortization of premium	131,124	407,006
9.	Book/adjusted carrying value, current period	28,593,313	29,169,440
10.	Total valuation allowance		
11.	Subtotal (Lines 9 plus 10)	28,593,313	29,169,440
12.	Total nonadmitted amounts		
13.	Statement value	28,593,313	29,169,440

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	26,832,242	63,073,357	56,943,103	(34,435)	80,561,666	26,832,242	32,928,061	56,980,508
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. TOTAL Bonds	26,832,242	63,073,357	56,943,103	(34,435)	80,561,666	26,832,242	32,928,061	56,980,508
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. TOTAL Preferred Stock								
15. TOTAL Bonds & Preferred Stock	26,832,242	63,073,357	56,943,103	(34,435)	80,561,666	26,832,242	32,928,061	56,980,508

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. TOTALS	4,334,748	X X X	4,334,748	1,432,809	

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	27,811,068	49,147,408
2.	Cost of short-term investments acquired	475,909,358	1,690,533,329
3.	Increase (decrease) by adjustment		
4.	Increase (decrease) by foreign exchange adjustment		
5.	Total profit (loss) on disposal of short-term investments		
6.	Consideration received on disposal of short-term investments	499,385,678	1,711,869,669
7.	Book/adjusted carrying value, current period	4,334,748	27,811,068
8.	Total valuation allowance		
9.	Subtotals (Lines 7 plus 8)	4,334,748	27,811,068
10.	Total nonadmitted amounts		
11.	Statement value (Lines 9 minus 10)	4,334,748	27,811,068
12.	Income collected during period	1,432,809	1,313,035
13.	Income earned during period	1,358,583	1,267,367

SCHEDULE DB - PART F - SECTION 1
Summary of Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset							
1 Replication RSAT Number	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	Derivative Instruments Open		Cash Instrument(s) Held					
					6 Description	7 Fair Value	8 CUSIP	9 Description	10 Statement Value	11 Fair Value	12 NAIC Designation or Other Description	
					NONE							
9999999 Totals					XXX		XXX	XXX				XXX

SCHEDULE DB - PART F - SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	X X X				X X X		X X X		X X X	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Failing Effectiveness Criteria										
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value	X X X				X X X		X X X		X X X	
7. Ending Inventory										

NONE

SCHEDULE S - CEDED REINSURANCE
Showing all new reinsurers-Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (Yes or No)
		<div>NONE</div>		

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

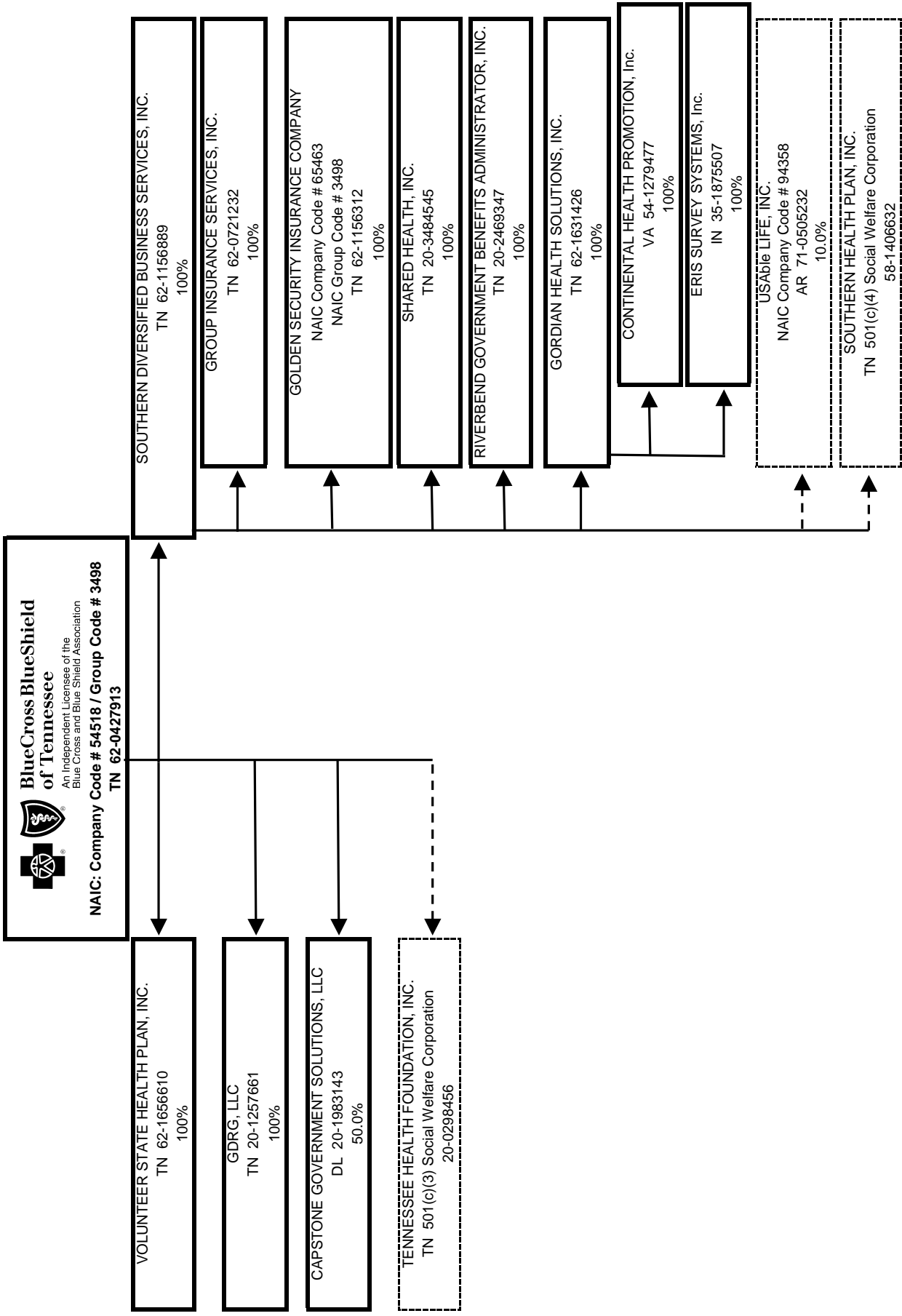
		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
State, Etc.									
1.	Alabama (AL)	No ..	No ..						
2.	Alaska (AK)	No ..	No ..						
3.	Arizona (AZ)	No ..	No ..						
4.	Arkansas (AR)	No ..	No ..						
5.	California (CA)	No ..	No ..						
6.	Colorado (CO)	No ..	No ..						
7.	Connecticut (CT)	No ..	No ..						
8.	Delaware (DE)	No ..	No ..						
9.	District of Columbia (DC)	No ..	No ..						
10.	Florida (FL)	No ..	No ..						
11.	Georgia (GA)	No ..	No ..						
12.	Hawaii (HI)	No ..	No ..						
13.	Idaho (ID)	No ..	No ..						
14.	Illinois (IL)	No ..	No ..						
15.	Indiana (IN)	No ..	No ..						
16.	Iowa (IA)	No ..	No ..						
17.	Kansas (KS)	No ..	No ..						
18.	Kentucky (KY)	No ..	No ..						
19.	Louisiana (LA)	No ..	No ..						
20.	Maine (ME)	No ..	No ..						
21.	Maryland (MD)	No ..	No ..						
22.	Massachusetts (MA)	No ..	No ..						
23.	Michigan (MI)	No ..	No ..						
24.	Minnesota (MN)	No ..	No ..						
25.	Mississippi (MS)	No ..	No ..						
26.	Missouri (MO)	No ..	No ..						
27.	Montana (MT)	No ..	No ..						
28.	Nebraska (NE)	No ..	No ..						
29.	Nevada (NV)	No ..	No ..						
30.	New Hampshire (NH)	No ..	No ..						
31.	New Jersey (NJ)	No ..	No ..						
32.	New Mexico (NM)	No ..	No ..						
33.	New York (NY)	No ..	No ..						
34.	North Carolina (NC)	No ..	No ..						
35.	North Dakota (ND)	No ..	No ..						
36.	Ohio (OH)	No ..	No ..						
37.	Oklahoma (OK)	No ..	No ..						
38.	Oregon (OR)	No ..	No ..						
39.	Pennsylvania (PA)	No ..	No ..						
40.	Rhode Island (RI)	No ..	No ..						
41.	South Carolina (SC)	No ..	No ..						
42.	South Dakota (SD)	No ..	No ..						
43.	Tennessee (TN)	No ..	Yes ..			(86,643)			
44.	Texas (TX)	No ..	No ..						
45.	Utah (UT)	No ..	No ..						
46.	Vermont (VT)	No ..	No ..						
47.	Virginia (VA)	No ..	No ..						
48.	Washington (WA)	No ..	No ..						
49.	West Virginia (WV)	No ..	No ..						
50.	Wisconsin (WI)	No ..	No ..						
51.	Wyoming (WY)	No ..	No ..						
52.	American Samoa (AS)	No ..	No ..						
53.	Guam (GU)	No ..	No ..						
54.	Puerto Rico (PR)	No ..	No ..						
55.	U.S. Virgin Islands (VI)	No ..	No ..						
56.	Northern Mariana Islands (MP)	No ..	No ..						
57.	Canada (CN)	No ..	No ..						
58.	Aggregate other alien (OT)	X X X ..	X X X ..						
59.	Subtotal	X X X ..	X X X ..			(86,643)			
60.	Reporting entity contributions for Employee Benefit Plans	X X X ..	X X X ..						
61.	Total (Direct Business)	X X X ..	(a)..... 1			(86,643)			
DETAILS OF WRITE-INS									
5801.	.....	X X X ..	X X X ..						
5802.	.....	X X X ..	X X X ..						
5803.	.....	X X X ..	X X X ..						
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X ..	X X X ..						
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X ..	X X X ..						

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1	2	3
		Uncovered	Total	Total
0604.	Meharry Payments	X X X	(9,330,000)	(5,520,544)
0605.	Essential Provider Payments	X X X	(125,000,000)	(75,000,000)
0697.	Summary of remaining write-ins for Line 6 (Lines 0604 through 0696)	X X X	(134,330,000)	(80,520,544)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2	3
		Current Year To Date	Prior Year To Date	Prior Year
4704.	.....		
4705.	.....		
4706.	.....		
4797.	Summary of remaining write-ins for Line 47 (Lines 4704 through 4796)			

SCHEDULE A - PART 2
Showing all Real Estate ACQUIRED During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost	7 Amount of Encumbrances	8 Book/Adjusted Carrying Value Less Encumbrances	9 Expended for Additions and Permanent Improvements
	2	3						
NONE								
9999999 Totals								

SCHEDULE A - PART 3
Showing all Real Estate SOLD during the Quarter, including Payments during the Final Year on "Sales under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Expended for Additions, Permanent Improvements and Changes in Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 Amounts Received	12 Foreign Exchange Profit (Loss) on Sale	13 Realized Profit (Loss) on Sale	14 Total Profit (Loss) on Sale	15 Gross Income Earned Less Interest Incurred on Encumbrances	16 Taxes, Repairs and Expenses Incurred
	2	3													
NONE															
9999999 Totals															

SCHEDULE B - PART 1

Showing all Mortgage Loans ACQUIRED during the Current Quarter

1 Loan Number	Location		4 Loan Type	5 Actual Cost	6 Date Acquired	7 Rate of Interest	8 Book Value/Recorded Investment Excluding Accrued Interest	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment	11 Value of Land and Buildings	12 Date of Last Appraisal or Valuation
	2	3									
NONE											
9999999 GRAND TOTAL						XXX	XXX				XXX

SCHEDULE B - PART 2

Showing all Mortgage Loans SOLD, Transferred or Paid in Full During the Current Quarter

1 Loan Number	Location		4 Loan Type	5 Date Acquired	6 Book Value/ Recorded Investment Excluding Accrued Interest Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book Value/ Recorded Investment Excluding Accrued Interest at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2	3										
<div>NONE</div>												
9999999 Totals												

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED during the Current Quarter

1	2	Location		5	6	7	8	9	10	11	12	13	14	15	16
CUSIP Identification	Name or Description	3	4	Name of Vendor or General Partner	NAIC Designation	Date Originally Acquired	Type and Strategy	Actual Cost	Amount of Encumbrances	Book/ Adjusted Carrying Value Less Encumbrances	Fair Value	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Commitment for Additional Investment	Percentage of Ownership
		City	State												
NONE															
399999 Totals XXXX															

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

1	2	Location		5	6	7	8	9	10	11	12	13	14	15
CUSIP Identification	Name or Description	3	4	Name of Purchaser or Nature of Disposal	Date Originally Acquired	Book/Adjusted Carrying Value Less Encumbrances, Prior Year	Increase (Decrease) by Adjustment	Increase (Decrease) by Foreign Exchange Adjustment	Book/Adjusted Carrying Value Less Encumbrances on Disposal	Consideration Received	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Investment Income
			City												State
NONE														
3399999 Totals														

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - Special Revenue, Special Assessment									
3128X4N56	FEDERAL HOME LN MTG CORP MTN		08/01/2006	Morgan Keegan	X X X	1,190,250	1,200,000.00	27,650	
3199999	Subtotal - Bonds - Special Revenue, Special Assessment				X X X	1,190,250	1,200,000.00	27,650	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)									
359262AT9	FROST NATIONAL BANK		08/22/2006	Morgan Keegan	X X X	1,063,890	1,000,000.00	4,583	
4599999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)				X X X	1,063,890	1,000,000.00	4,583	X X X
6099997	Subtotal - Bonds - Part 3				X X X	2,254,140	2,200,000.00	32,233	X X X
6099998	Summary Item for Bonds Bought and Sold This Quarter				X X X	X X X	X X X	X X X	X X X
6099999	Subtotal - Bonds				X X X	2,254,140	2,200,000.00	32,233	X X X
6599998	Summary Item for Preferred Stock Bought and Sold This Quarter				X X X	X X X	X X X	X X X	X X X
7299998	Summary Item for Common Stock Bought and Sold This Quarter				X X X	X X X	X X X	X X X	X X X
7399999	Subtotal - Preferred and Common Stocks				X X X		X X X		X X X
7499999	Total - Bonds, Preferred and Common Stocks				X X X	2,254,140	X X X	32,233	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price Rate or Index	5 Date of Acquisition	6 Exchange or Counterparty	7 Cost/ Option Premium	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Year to Date Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis of Hedged Item	14 Other Investment/ Miscellaneous Income
NONE													
9999999 Total								X X X					

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1 Description	2 Number of Contracts or Notional Amount	3 Date of Maturity, Expiry, or Settlement	4 Strike Price Rate or Index	5 Date of Issuance/ Purchase	6 Exchange or Counterparty	7 Consideration Received	8 Book Value	9 *	10 Statement Value	11 Fair Value	12 Year to Date Increase/ (Decrease) by Adjustment	13 Used to Adjust Basis	14 Other Investment/ Miscellaneous Income
NONE													
9999999 Total								X X X					

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value	*	Statement Value	Fair Value	Year to Date Increase/ (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure
NONE														
9999999 Total								. X X X						

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	10	11	12	Potential Exposure
									Recognized	Used to Adjust Basis of Hedged Item	Deferred	
NONE												
						XXX	XXX					
9999999 Total												

SCHEDULE E - PART 1 - CASH

Month End Depository Balances										
1			2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
							6	7	8	
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
open depositories										
Regions Bank	2128 Gunbarrel Rd, Chattanooga, TN 37421			2.940			3,783,665	3,789,005	3,789,055	X X X
Regions Bank	2128 Gunbarrel Rd, Chattanooga, TN 37421			3.360			6,246,895	1,742,456	1,786,664	X X X
Regions Bank	2128 Gunbarrel Rd, Chattanooga, TN 37421			3.150			2,500,521	476,719	818,662	X X X
Regions Bank	2128 Gunbarrel Rd, Chattanooga, TN 37421			2.730			601,473	610,613	738,515	X X X
Regions Bank	2128 Gunbarrel Rd, Chattanooga, TN 37421						339,713	7,451	4,008	X X X
Regions Bank	2128 Gunbarrel Rd, Chattanooga, TN 37421			2.730			3,230,593	(110,839)	(2,657,911)	X X X
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	X X X						X X X
0199999 Totals - Open Depositories			X X X	X X X			16,702,860	6,515,405	4,478,993	X X X
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X	X X X						X X X
0299999 Totals - Suspended Depositories			X X X	X X X						X X X
0399999 Total Cash On Deposit			X X X	X X X			16,702,860	6,515,405	4,478,993	X X X
0499999 Cash in Company's Office			X X X	X X X	X X X	X X X				X X X
0599999 Total Cash			X X X	X X X			16,702,860	6,515,405	4,478,993	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter								
1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
NONE								
0199999 Total Cash Equivalents								

**INDEX TO HEALTH
QUARTERLY STATEMENT**

Accounting Changes and Corrections of Errors; Q10, Note 2; Q11

Accounting Practices and Policies; Q5; Q10, Note 1

Admitted Assets; Q2

Bonds; Q2; Q6; Q11.1; QE04; QE05

Bonuses; Q3; Q4; Q8; Q9

Borrowed Funds; Q3; Q6

Business Combinations and Goodwill; Q10, Note 3

Capital Gains (Losses)

 Realized; Q4

 Unrealized; Q4; Q5

Capital Stock; Q2; Q10, Note 13

Capital Notes; Q6; Q10, Note 11

Caps; QE06

Cash; Q2; Q6; QE08

Cash Equivalents; Q2; Q6

Claims; Q3; Q8

Collars; QE07

Commissions; Q6

Common Stock; Q2; Q3; Q6; Q11.1

Cost Containment Expenses; Q4

Contingencies; Q10, Note 14

Counterparty Exposure; Q10, Note 8

Debt; Q10, Note 11

Deferred Compensation; Q10, Note 2

Derivative Instruments; Q10, Note 8; Q14; Q15; QE06; QE07

Discontinued Operations; Q10, Note 4

Electronic Data Processing Equipment; Q2

Encumbrances; Q2; QE01

Emergency Room; Q4

Expenses; Q3; Q4; Q6

Extinguishment of Liabilities; Q10, Note 17

Extraordinary Item; Q10, Note 21

Fee for Service; Q4

Foreign Exchange; Q2; Q3; Q5; Q12; QE01; QE02; QE04; QE05

Forwards; QE07

Furniture, Equipment and Supplies; Q2

Guaranty Fund; Q2; Q18

Health Care Receivables; Q2; Q9; Q10, Note 28

Hospital/Medical Benefits; Q4

Incentive Pools; Q3; Q4; Q9

Income; Q4; Q5

Income Taxes; Q2; Q3; Q4; Q5; Q10, Note 9

Incurred Claims and Claim Adjustment Expenses; Q10, Note 25

Intercompany Pooling; Q10, Note 26

Investment Income; Q10, Note 7

 Accrued; Q2

 Earned; Q2; Q14

 Received; Q6

Investments; Q10, Note 5; Q11.1

Joint Ventures; Q10, Note 6

Leases; Q10, Note 15

Limited Liability Company (LLC); Q10, Note 6

Limited Partnership; Q10, Note 6

Long-Term Invested Assets; QE03

Managing General Agents; Q10, Note 19

Member Months; Q4; Q7

Mortgage Loans; Q2; Q6; Q11.1; QE02

Non Admitted Assets; Q2; Q5; Q12

Off-Balance Sheet Risk; Q10, Note 16

Options; QE06

Organizational Chart; Q11; Q19

Out-of-Area; Q4

Outside Referrals; Q4

Parents, Subsidiaries and Affiliates; Q2; Q3; Q10, Note 10; Q11.1

Participating Policies; Q10, Note 29

Pharmaceutical Rebates; Q10, Note 28

Policyholder Dividends; Q6

Postemployment Benefits; Q10, Note 12

Postretirement Benefits; Q10, Note 12

Preferred Stock; Q2; Q3; Q6; Q11.1

Premium Deficiency Reserves; Q10, Note 30

Premiums and Considerations

INDEX TO HEALTH QUARTERLY STATEMENT

Advance; Q3	
Collected; Q6	
Deferred; Q2	
Direct; Q7; Q18	
Earned; Q7	
Retrospective; Q2	
Uncollected; Q2	
Unearned; Q4; Q7	
Written; Q4; Q7	
Prescription Drugs; Q4	
Quasi Reorganizations; Q10, Note 13	
Real Estate; Q2; QE01	
Redetermination, Contracts Subject to; Q10, Note 24	
Reinsurance; Q10, Note 23	
Ceded; Q3; Q17	
Funds Held; Q2	
Payable; Q3	
Premiums; Q3	
Receivable; Q2; Q4	
Unauthorized; Q3; Q5	
Reserves	
Accident and Health; Q3; Q4	
Claim; Q3; Q5; Q8	
Life; Q3	
Retirement Plans; Q10, Note 12	
Retrospectively Rated Policies; Q10, Note 24	
Risk Revenue; Q4	
Salvage and Subrogation; Q10, Note 31	
September 11 Events; Q10, Note 20	
Servicing of Financial Assets; Q10, Note 17	
Short-Term Investments; Q2; Q6; Q11.1; Q14	
Stockholder Dividends; Q5	
Subsequent Events; Q10, Note 22	
Surplus; Q3; Q5; Q10, Note 13	
Surplus Notes; Q3; Q5; Q6	
Swaps; QE07	
Synthetic Assets; Q15; Q16	
Third Party Administrator; Q10, Note 19	
Treasury Stock; Q3; Q5	
Uninsured Accident and Health; Q2; Q3; Q10, Note 18	
Valuation Allowance; Q12; Q14	
Wash Sales; Q10, Note 17	
Withholds; Q4; Q8	

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
			NONE			
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
			NONE			
0799999 Gross health care receivables						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1	2	3	4	5	6	Admitted	
						7	8
Name of Affiliate	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Current	Non-Current
Individually listed receivables							
	NONE						
0199999 Total - individually listed receivables							
0299999 Receivables not individually listed							
0399999 Total gross amounts receivable							

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

Affiliate	2 Description	3 Amount	5	
			4 Current	Non-Current
BlueCross BlueShield of Tennessee Shared Health, Inc.	ITS claims, bonus accrual and miscellaneous Community Health Records	7,363,601 1,496,868	2,906,152 1,496,868	4,457,449 0
0199999 Total - Individually listed payables	.....XXX.....	8,860,469	4,403,020	4,457,449
0299999 Payables not individually listed	.....XXX.....	.....	.....	.....
0399999 Total gross payables	.....XXX.....	8,860,469	4,403,020	4,457,449